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CURRENT SUPPORT MEMORANDUM

SHARP CHANGE IN BALANCE OF RAILROAD FREIGHT TONNAGE SHIPMENTS
BETWEEN THE USSR AND THE EUROPEAN SATELLITES

OFFICE OF RESEARCH AND REPORTS

CENTRAL INTELLIGENCE AGENCY

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BETWEEN THE USSR AND THE EUROPEAN SATELLITES

Reliable reports indicate that the ratio of westbound movements by railroad from the USSR to the European Satellite countries versus movements from the European Satellites to the USSR, rose from 3.6 to 1 in 1956 to approximately 15 to 1 in 1957.* Plans for 1960, call for the near 15 to 1 ratio to be maintained at that time. Moreover, the total tonnage turnover in 1960 is planned to increase 14 percent over that of 1957.

The changes which brought about such a pronounced shift in the ratio of Soviet railroad exports to imports reportedly were an increase in outbound rail movement to the Satellites of 12.7 million tons (from 16.7 million tons in 1956 to 29.4 million tons in 1957), and a decrease in inbound rail movement from the Satellites of 2.6 million tons (from 4.6 million to 2.0 million). The principal Soviet exports involved in the increase appear to have been iron ore, coke, coal, petroleum and grain. The decrease in Soviet imports is believed to have been largely accounted for by a reduction in shipments of Polish coal and coke to the USSR. Polish cement movement to the USSR (a flow of much smaller magnitude), is also believed to have fallen off in 1957.

In 1956 iron ore constituted 49 percent of the rail-borne tonnage which moved from the USSR to the Satellites, and another 40 percent was composed of coal, coke, grain, petroleum and wood. The remaining 11 percent included mineral fertilizer, chemicals, pig iron and rolled steel, non-ferrous metals and machinery. Information on corresponding commodity percentages has not yet been received for 1957; but, from the data available, it appears that iron ore, coke, pig iron and steel shipments all increased substantially. There was also a substantial increase in movement of Soviet grain to the Satellites.

Soviet petroleum products moving from the USSR to the Satellites more than doubled from 1956 to 1957, although there apparently has been no change in the annual flow of one million tons of petroleum from Rumania to the USSR by pipeline. Shipments of coal from the USSR to the Satellites are estimated to have increased more than ten times during the same period.

Transit freight moving across Poland between the USSR and East Germany consisted of grain, food (chiefly fats), oil seed, textiles, iron ore, manganese, non-ferrous metals, apatite, chemicals and coal, coke, petroleum, pig iron and rolled steel from the USSR, and of machines and machine groups and vehicles from Germany. East and west-bound Polish transit tonnage for 1956 was 4.92 million tons, which was about 23 percent of total USSR-Satellite rail interchange. Comparative Polish transit tonnage for 1957 was expected to approximate 10 million tons or 31 percent of the Soviet-Satellite rail interchange. Of this 10 million, 9.3 million would be Soviet westbound freight and .7 million would be European Satellite eastbound.

*These ratios of course apply to tonnage moved by rail, and not to value of freight so moved.

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Heavy investments have been made in transloading facilities during the years 1951 through 1957 on both sides of the Polish-Soviet border, as well as at Chop, the USSR border connection with Czechoslovakia and Hungary. As a result, the Soviet and Satellite railways have been able to handle the rearrangement of the rail traffic pattern despite major daily and seasonal fluctuation in tonnage and variation in types of cars required. The principal difficulty seems to have consisted of obtaining cars for transit traffic moving from the USSR via Poland to East Germany.

The abrupt change in pattern from 1956 to 1957 undoubtedly reflects the following major developments:

1. Heavy Soviet export shipments to the Satellites on trade account and on credit in an effort to stabilize the Satellite economies and regimes.
2. Decision to make it possible for the Satellites to expand production of industrial goods for sale in world markets, thus reducing dislocations following the 1956 revolts.
3. Increased shipments of iron ore, necessitated by the expansion in Satellite ore requirements, accompanied by a decline in Communist China's exports of iron ore to the Satellites.

The USSR apparently will provide a large part of the iron ore as in the past, and other raw material requirements for the recently expanded heavy industrial base under the exchange balance which appears planned for the next three years (1958-1960). This will be accomplished by a simultaneous increase of Soviet shipments of raw materials to the European Satellites and reduction of Soviet receipts of raw material shipments from this area. The Soviets will, however, continue to import large quantities (but of much lower tonnage) of manufactured goods from the Satellites.

The above data would seem to indicate that the USSR has come to grips with the problem of raw material supply for the large scale expansion of heavy industry in Satellite nations, which had only a partial and limited raw material base. It is possible that the USSR may ultimately regard this solution to the problem as unsatisfactory. Nevertheless, plans for 1957-1960 traffic indicate that the USSR regards this solution as more than a short-run remedy.

Moreover, the traffic plans outlined above may presage an amelioration of incessant short-falls in Satellite heavy industrial output, most of which have been occasioned by shortages of raw material inputs rather than by shortage of production capacity.

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Exports and Imports of the USSR vis-a-vis European Satellites
Includes Freight Moving in both Directions

					(Millions of Metric Tons)	
	<u>Rail</u>	<u>Sea</u>	<u>Inland Water</u>	<u>Other</u>	<u>Rail and Sea Total</u>	<u>Pipe</u>
1956	20.2*	4.1	1.8	.5(?)	26.6	1.4
1957 (Plan)	Est. 29.8**	5.6			35.4	1.4
1960 (Plan)	33.2	5.0	2.6	-	40.8	(?)

Shipments crossing USSR - Satellite Border Points by Rail

			(Millions of Metric Tons)	
	<u>Westbound</u>	<u>Eastbound</u>	<u>Total</u>	
1956	16.7	4.6	=21.3*	
1957 (Plan)	29.4	2.0	=31.4**	
1960 (Plan)	32.8 Est.	2.2 Est.	=35.0***	.

Note: The 1960 balance is partially estimated. Given figures were 26.7 million westbound and 1.6 eastbound, with the balance at the Lithuanian and Moldavian stations not provided.

- * Although the difference between the total Soviet railborne imports and exports and the total tonnage crossing the Soviet-Satellite border points, 1.1 million tons, is not clearly explained, it is probable that transit traffic between the USSR and the West plus transit traffic between the Satellites and China constitute the balance.
- ** The rail export figure has been estimated on a basis consistent with that used for 1956.
- *** The 1960 total rail movement was estimated by inflating the Satellite trade rail figure by the 1956 relationship between trade rail and total rail movement.

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Analyst:

Coord :

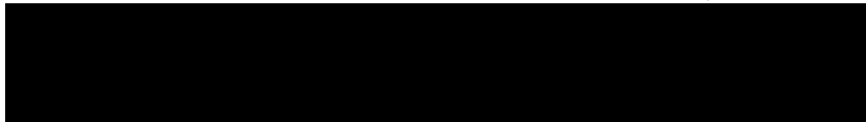


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